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INFORMATION REPORT

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COUNTRY Austria/USSR

SUBJECT Effect on USIA of Price Cuts by Siemens-Schuckert, Nibelungengasse, Vienna

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1. The receipt of 35,000 dollars worth of enameled wire from the United States will enable non-USIA Siemens-Schuckert, Nibelungengasse, Vienna, to produce 17,000 three- and four-horsepower electric motors for the Austrian market at a wholesale price of 950 schillings each. During the past three weeks, buyers throughout Austria have placed orders for approximately 2,000 of these motors. The USIA price for the same type of motor is 1,250 schillings. When the details of these motors were made public, Ivanov, of USIA, called Director Zehetner of Siemens-Schuckert, Nibelungengasse, and demanded to know why Siemens had cut prices without first informing USIA. He insisted upon an immediate explanation and a meeting between Zehetner, General Kossov, Colonel Sharikov and himself. Zehetner allegedly took offense at the tone of the conversation and has refused to attend any meetings with the Soviets if Ivanov is present.
2. Siemens-Schuckert, Nibelungengasse, has a contract to purchase one million schillings worth of electrical equipment from USIA, but three- and four-horsepower motors are specifically excluded. Source believes that the Soviets may cease all deliveries to Siemens-Schuckert, and might possibly cut their own prices, but this would have little effect upon the situation, because Siemens-Schuckert would be able to cut its prices on these motors an additional fifty schillings and still make a profit. According to source, the Soviets have large stocks of three- and four-horsepower motors on hand which they will now be unable to sell, and many customers, hearing of the low prices of Siemens-Schuckert, Nibelungengasse, have cancelled their contracts with USIA. Source believes that the Electrical Branch of USIA will suffer a loss of between four and five million schillings on the electric motors alone, and will also lose on other products because would-be customers will wait for further price cuts at Siemens-Schuckert rather than purchase from the Soviets.

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NO CHANGE in Class.

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This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

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